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Summary record of the 8th meeting
Held at Headquarters, New York, on Thursday, 3 October 2002, at 10 a.m.

Chairman: Mr. Suazo ..... (Honduras)
later: Mr. Benmellouk (Vice-Chairman) ..... (Morocco)

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The meeting was called to order at 10.10 a.m.

Agenda item 84: Macroeconomic policy questions

(b) Commodities (A/57/381)

(d) External debt crisis and development (A/57/253)

(e) International financial system and development (A/57/151)

(f) Preparations for the International Ministerial Meeting on Transit Transport Cooperation (A/57/340)

1. **Mr. Chowdhury** (High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States) introduced the report of the Secretary-General on specific actions related to the particular needs and problems of landlocked developing countries (A/57/340).

2. The developmental disadvantages of landlocked developing countries were linked to their geographical handicap. Problems relating to lack of access to the sea, remoteness and isolation from major international markets were aggravated by the fact that their neighbours were, for the main part, developing countries which also lacked the financial resources to put in place efficient transit transport systems. Since the particular needs and problems of landlocked developing countries were reviewed in section II of the Secretary-General's report, he simply wished to emphasize the impact of transport costs on trade and development in those countries. They used a far greater share of their foreign exchange earnings to pay for international transport services than other developing countries — not to mention developed countries — which had the effect of slowing down the growth of their exports, increasing the cost of their imports and placing their exporters at a disadvantage on the global market.

3. High transport costs eroded the competitive edge of landlocked developing countries and trade volume. That effect was strongest for transport intensive activities that were dependent on exports or imported intermediate goods for production. The international community was currently undertaking measures to address transit transport problems: financial assistance in transport infrastructure, technical assistance projects and trade facilitation measures. For their part, landlocked developing countries were continuing to invest, subject to the availability of resources, in infrastructure development.

4. The United Nations and other international bodies had been taking an interest in transit problems for a number of years. The Millennium Declaration called for a global partnership to address the special needs of landlocked developing countries and the search for solutions to those countries' problems was one of the key targets of the Millennium development goals. The convening of an International Ministerial Meeting on Transit Transport Cooperation in 2003 reflected the priority accorded by the international community to that issue and provided an opportunity to galvanize international solidarity to assist landlocked developing countries to participate in international trade through the establishment of efficient transit systems. It seemed possible to make significant progress in that area with little investment.

5. Progress made with the preparations for the International Ministerial Meeting was discussed in section V of the Secretary-General's report. The Third Annual Ministerial Meeting of Landlocked Developing Countries held in September 2002 had adopted a Ministerial Communiqué on substantive and organizational issues. The Ministers had emphasized that the International Ministerial Meeting should adopt a global programme of action with a view to minimizing the constraints facing landlocked developing countries to ensure the speedy attainment of the goals and targets on poverty eradication, sustainable development and their participation in the world economy.

6. Since the International Ministerial Meeting was the first United Nations conference of its kind, its outcome should be judged against its success in raising the awareness of the international community to the specific needs of landlocked developing countries, building a global consensus on policies to establish efficient transit systems, mobilizing strong support for those countries and securing voluntary contributions. On behalf of the Secretary-General, he had launched a campaign to mobilize voluntary resources to facilitate the preparatory process for the International Ministerial Meeting and make it possible for the representatives of landlocked developing countries to participate in the

preparatory process and the conference itself. Consultations were continuing with, inter alia, the regional commissions, regional development banks and the World Bank. He hoped that the General Assembly would take the appropriate decisions on the date and venue of the conference and on other aspects of the preparatory process.

7. **Mr. Kinniburgh** (Director, Development Policy Analysis Division, Department of Economic and Social Affairs) introduced the report of the Secretary-General on the international financial system and development (A/57/151).

8. Chapter II of the report examined developments with regard to the net transfer of financial resources of developing countries. The large net outward transfer of financial resources from developing countries as a whole would continue throughout 2002, with divergent trends in the different regions. Fortunately, the net inward financial transfer to sub-Saharan Africa was expected to continue. Since the publication of the report, two agreements had been signed on replenishment of International Development Association (IDA) funds and financing of the African Development Fund. They were expected to lead to an increase in the volume of resources provided, as well as an easing of the terms under which the funds were made available to borrowing countries. Those two agreements extended other commitments made that year to increase official development assistance (ODA), reflecting a trend that would need to be continued if the Millennium development goals were to be met.

9. Chapter III of the report concerned reform of the international financial system. Since the Asian financial crisis, the international community had sought to avoid the incidence of such crises. It had, inter alia, developed and implemented codes of good financial and macroeconomic practice, according to the principle that application of such standards should strengthen financial systems within countries and thereby reduce financial instability at the international level. Such standards were frequently tailored to conditions in countries with sophisticated financial markets, but they must also be made applicable to the conditions in developing countries and countries in transition. Standards were only, however, as good as their implementation. At the implementation stage, it was thus also necessary to take account of different countries' levels of economic and capital market development, as well as differing legal and cultural traditions and administrative capacities. Financial crises were expected to recur, and there would always continue to be a need to avert the threat of crises and to address those that did occur. As part of prevention efforts, the International Monetary Fund (IMF) had introduced a Contingent Credit Line, but fears of a negative reaction to a country's application from financial markets had meant that the facility had never been used. IMF would examine how the system could be adapted in order that it might play its prescribed role in crisis prevention, including by automatically qualifying a country that met certain benchmarks. Prevention efforts also sought to achieve a clearer understanding by all concerned of how to manage crises that developed. The international community was pursuing the matter using two approaches (contractual and statutory).

10. A country's ability to draw on IMF resources in times of financial crisis depended largely on IMF quotas, which had not been adjusted to reflect the growth of world output, international trade and capital flows and should thus be increased. As for Special Drawing Rights (SDRs), they had not been increased for over 20 years. The Monterrey Consensus recognized that any assessment of SDR allocations should respect IMF legislation and procedures, which specified that the global need for international liquidity should be taken into account. The Secretary-General considered that temporary allocations of SDRs might be a means of providing international liquidity in times of crisis. In any event, countries that had yet to approve the "equity" allocation should do so. The corollary to IMF lending was its conditionality, which IMF had agreed to revise with a view to enhancing national ownership, limiting conditions to those necessary to achieve macroeconomic goals and attuning conditions to national circumstances. The success of that revision would have to be measured in practical terms.

11. In addition to ownership of development strategies at the national level, developing countries and countries with economies in transition must also be able to participate further in the development of international economic policies and in decision-making that had a bearing on outcomes at the national level. The Financial Stability Forum and the Basel Committee on Banking Supervision had led the way by inviting non-member countries to participate in

discussions on standards, a practice that must be sustained and broadened in order to ensure that such standards were applicable to all countries and that they could be applied effectively. Similarly, for a sovereign debt restructuring proposal to be viable, the views of all concerned should be taken into account. In order to broaden participation in international financial policy-making, a revision of IMF quotas should address their allocation, as well as their total amount.

12. The Monterrey Consensus addressed all the issues discussed in the report. The debate within the Second Committee thus constituted a first instalment in discussions on progress in implementing the Consensus and further actions that needed to be taken to that end.

13. **Mr. Busuttil** (Executive Direction and Management, United Nations Conference on Trade and Development (UNCTAD)) introduced the reports of the Secretary-General on world commodity trends and prospects (A/57/381) and external debt crisis and development (A/57/253).

14. Developing countries' share of world commodity exports had increased slightly in the 1990s, despite still being inferior to the level reached in 1985. The shares of African countries and least developed countries, in particular, had continued to decrease. The number of developing countries depending on commodities for more than half of their export income had remained unchanged over the past decade.

15. With a view to improving living conditions for the 2.5 billion people in developing countries who depended on commodity production for their livelihood, and realizing the Millennium development goal of reducing by half the proportion of people living on less than a dollar a day, incomes from commodity production must increase. Accordingly, it was necessary to improve agricultural productivity and the competitiveness of developing country exports. Since a substantial part of commodity production was destined for exports, it was also necessary to improve access to developed country markets. Eliminating tariff escalation would contribute to the expansion of processed exports and avoiding unnecessarily strict standards would facilitate diversification into dynamic products. The phasing out of agricultural subsidies in developed countries would open up possibilities for agricultural producers in many developing countries, both in domestic and international markets.

16. Prices of commodities had continued their downward trend, and their level in current United States dollars was now comparable with that of the early 1970s. Although market access for developing countries' products must be improved, markets were becoming increasingly demanding and their structures increasingly concentrated and thus developing countries also needed assistance in order to improve their supply capacity, the quality of their products and their participation in international value chains. Institutional factors, such as insufficient market information, lack of access to technology and inputs, lack of extension services, difficult access to finance and lack of organization of cooperation among domestic firms, posed formidable barriers to the expansion of commodity exports and to diversification. Action in those areas, by individual Governments as well as the international community, with the active involvement of the private sector, could have a favourable impact on the livelihoods of commodity producers in developing countries.

17. Turning to the issue of debt (A/57/253), he stressed that the Monterrey Consensus had confirmed the relevance of the proposals made regarding the resolution of the debt problems of developing countries in the two previous reports (A/55/422 and A/56/262). Although bilateral creditors had continued to write off the official debt of several low-income countries, in several low- and middle-income countries unsustainable levels of external debt were continuing to create a considerable barrier to economic and social development and increase the risk that the Millennium development goals regarding development and poverty reduction would not be attained.

18. In the light of the continuing slow implementation of the Heavily Indebted Poor Countries (HIPC) Initiative, a simplification of the procedures and a review of the content of conditionality should be considered. Likewise, a moratorium on debt-service payments by all HIPCs at their Decision Point, as had already been imposed by some Governments of industrialized countries, deserved further consideration. Given their low domestic savings capacity, debt relief and official development assistance (ODA) would have a critical catalytic role in raising growth and attaining the Millennium development goals. Consideration should also be given to measures that placed growth at the centre of reform, and specific measures should be worked out to

accelerate the development of poverty and social impact analysis and to equip countries with the necessary tools to conduct such analyses on their own.

19. As previous reports of the Secretary-General had proposed, "front-loading" of debt relief from Decision Point onwards could be given serious consideration.

20. A number of other low- and middle-income developing countries and economies in transition were also facing external public debt burdens exceeding the threshold level for sustainability within the framework of the HIPC Initiative. Consideration should therefore be given to greater flexibility in the eligibility criteria for debt relief, so as to improve the poverty reduction efforts undertaken in those countries. In that regard, independent assessment of debt sustainability designed to determine the required level of debt relief, not only of HIPCs but also of other debt-distressed low- and middle-income countries, could be considered.

21. The management of external debt was closely linked to the quality of fiscal, macroeconomic and exchange-rate management and the capital account regime. Moreover, there appeared to be a lack of coherence and predictability in the international approach to crisis intervention. While Turkey had been provided with additional funding to meet its external obligations and avoid default, Argentina had not received such support and had been forced to suspend its debt service at the end of 2001 when it had failed to meet the conditions for continued disbursement of credits from IMF.

22. The international financial system still lacked a coherent and realistic international strategy to deal with financial instability and the debt sustainability of developing countries. It appeared more necessary than ever to formulate mechanisms for the restructuring and, where necessary, write-off of international sovereign debt owed by developing countries to private creditors, based on principles similar to those governing national bankruptcy legislation in developed countries. The introduction of orderly workout procedures could ensure that creditors and investors bore the consequences of the risks they had taken and that the burden of crises would be distributed equitably between debtors and creditors and among different classes of creditors.

23. Uncertainty continued to surround the modalities of official intervention in financial crises in emerging markets, which was adding to market volatility. The current system appeared to encourage pro-cyclical responses, which risked deepening the crises. It was time to embark upon a genuine reform of the international financial architecture. Only multilateral action would make it possible to deal effectively with the debt problem. Only cooperation between the major economic powers could ensure the degree of monetary stability needed by developing countries to ensure that trade and financial flows complemented their domestic efforts.

24. **Mr. Vallenilla** (Venezuela), speaking on behalf of the Group of 77 and China, said that the economic difficulties faced by developing countries highlighted the importance of searching for new formulas to channel resources and technologies towards the latter's development. Despite their efforts, the difficulties were enormous for the weakest and least developed countries and for middle-income countries which were dependent on the export of manufactured products, agricultural goods and commodities and were penalized by falling prices and rising tariffs.

25. While reaffirming the fundamental role of Governments in the development of each country, the Group of 77 and China called on developed countries to take appropriate macroeconomic measures in order to ensure increased economic growth and greater global stability. It was necessary to create a favourable international economic environment that would support developing countries' efforts to achieve sustained economic growth and development and strengthened democratic systems and would give them full participation in decision-making.

26. Developing countries' efforts to mobilize national resources were hindered by the lack of additional external resources, which should be provided without conditionalities by the developed countries. Despite numerous initiatives by the international community during the past decade, debt remained a primary obstacle to development. It was essential for developed countries and the international financial institutions to take effective, equitable measures leading to a lasting solution to the external debt problems of developing countries, including debt cancellation and increased concessional financial flows towards those countries. He therefore welcomed the decision, reached at the International Conference on Financing for Development in Monterrey, to create a link between debt sustainability and a country's ability to reach its development goals. It was also important to facilitate

implementation of the HIPC Initiative through new resources.

27. The fall in commodity prices, mentioned in the report of the Secretary-General (A/57/381), had had disastrous consequences for developing countries dependent on those products. The Second Account of the Common Fund for Commodities (CFC) should therefore be expanded and given increased funding in order to finance research and development and extension services in developing countries. Commodities should be given access to the markets of developed countries by reducing tariffs and eliminating tariff escalations, protectionist practices and agricultural subsidies. The impact of anti-dumping and anti-subsidy measures was another source of concern; they should not be used for protectionist purposes. Despite the expectations raised at the Doha Ministerial Conference, trade negotiations in Geneva had made little progress to date.

28. He reiterated the need to consider the needs and particular problems of landlocked developing countries and welcomed the General Assembly's decision to convene an International Ministerial Meeting on Transit Transport Cooperation in 2003.

29. *Mr. Benmellouk (Morocco) took the Chair.*

30. **Ms. Løj** (Denmark), speaking on behalf of the European Union and the associated countries Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia and Turkey, said that implementation of the decisions taken at the Monterrey Conference and the Johannesburg Summit were part of a wider process aimed at achieving the Millennium development goals. The Committee's work should be organized accordingly; all issues relating to financing for development should be included under a consolidated agenda item, its work should be enriched by expert briefings and support from the multistakeholder Secretariat should be sought. The outcome of the Committee's work should be a consolidated resolution focusing on implementation of the Monterrey Consensus, which would provide intergovernmental input into future dialogues with the Bretton Woods institutions and the World Trade Organization (WTO). She was convinced that the new partnership for development, laid out in the Monterrey Consensus and reaffirmed in the Declaration of the World Food Summit: *five years later* and in the Johannesburg Plan of Action, must be built through continuation of the positive process that had led to Monterrey. All participants must deliver on the Monterrey commitment to good governance, including transparency and the fight against corruption; democracy; human rights; the rule of law; and sound economic policies. The creation of a sound macroeconomic environment and an enabling investment climate, including an appropriate regulatory framework and measures designed to address the social side of economic reform, was the basis for sustainable development and economic growth.

31. At Monterrey, it had been reaffirmed that the private sector was potentially a strong driving force for development. She noted with satisfaction that although foreign direct investment had slowed considerably during the past year as a result of the global economic situation, investment in developing countries had dropped only marginally. Nevertheless, she was concerned that the least developed countries were not benefiting sufficiently from those investments; a multilaterally agreed framework could increase investment flows to developing countries.

32. The Conference had also reaffirmed the importance of trade for development; trade could foster growth and help reduce poverty. While trade openness among developing countries and with the developed countries would have a substantial impact on the fight against poverty, other steps were also needed. Trade reform must be part of wider, country-owned poverty reduction strategies based on better domestic policies and supplemented with external support and an enabling international regulatory environment. The European Commission had recently made suggestions on ways for the European Union to deliver on its trade capacity-building commitments.

33. Many States, particularly the least developed countries, would fail to achieve the Millennium development goals without increased development assistance. The European Union was already providing the highest level of official development assistance; it planned to reach the agreed target of 0.7 per cent and urged other donors to follow its lead. The Union was committed to reaching an average level of 0.39 per cent by 2006. To that end, all European Union member States would strive to devote at least 0.33 per cent of their gross national income to official development assistance by 2006. That significant increase must be accompanied by greater effectiveness and

accountability in the programmes financed and by greater harmonization of donor policies. The developed countries could also contribute to development financing by assessing alternative financing instruments, and the Union was prepared to assess the relevance of SDR allocations.

34. Concessional debt relief must be reserved for severely indebted low-income countries. Major progress had been made in the context of the HIPC Initiative, from which 26 countries were already benefiting. Those countries must continue their efforts to use the freed resources effectively, strengthen productivity and growth and invest in poverty reduction. All countries eligible to benefit from the Initiative should take the necessary political and economic steps. Creditor and donor countries were urged to contribute to its financing in order to ensure equitable burden sharing. Donor coordination was also crucial to ensure that countries could effectively utilize the resources allocated through the Initiative. There was also a need for more work on the issue of debt sustainability, with a view to achieving the Millennium development goals. International organizations, particularly IMF and the World Bank, should continue to play a role in strengthening the international financial system. She welcomed their decision to join the Monterrey Consensus and their will to implement it.

35. **Mr. Escanero** (Mexico) said that a new action-oriented form of multilateralism must be adopted, leading to implementation of the Monterrey commitment to increase official development assistance without which the Millennium development goals could not be achieved, and above all to the removal of obstacles to access for the products of developing countries to markets in the industrialized countries, including the elimination of protectionist measures. The efforts of the developing countries should be supported by improved macroeconomic policy coordination among the industrialized countries, the establishment of early-warning systems to prevent international financial crises, agreement on the terms of conditionalities imposed by international financial institutions, the provision to those institutions of sufficient resources to enable them to provide emergency financing, gradual extension of internationally agreed codes and rules of good conduct for enterprises, an increase in SDRs in order to free up resources for development, higher IMF quotas within the framework of a regime more suited to States' relative economic strength, and the definition of clear principles for the management and resolution of the debt crisis. All actors in development financing must implement the Monterrey Consensus and evaluate its results.

36. **Mr. Barnwell** (Guyana), speaking on behalf of the Caribbean Community (CARICOM), associated himself with the statement made by Venezuela on behalf of the Group of 77 and China. The CARICOM member States had taken significant steps to improve the region's competitiveness and its export performance. Government actions in the agricultural sector had enabled agricultural systems and export structures to cease to depend upon preferential arrangements and move towards more liberalized markets. Nonetheless, the region's economies continued to be confronted with many difficulties. Examination of the list of issues to be dealt with by commodity-dependent economies in order to overcome the poverty trap showed not only that financial resources were needed but also that consideration must be given to the specific socio-economic circumstances of developing countries. In the case of the CARICOM member States, consideration should be given to their small size and their vulnerability. CARICOM welcomed the establishment by the International Monetary Fund of the Compensatory and Contingency Financing Facility (CCFF), and of CFC to explore new approaches to addressing the issues raised. They considered, however, that the real problem resided in the Uruguay Round Agreement on Agriculture, which had eroded the value of preferences granted to developing countries and increased the prosperity of industrial countries by supporting their agriculture. The recent decision of a major industrialized country to introduce steel and farm subsidies would affect the growth prospects of many developing countries.

37. The Caribbean Community supported the work of UNCTAD on commodity-dependent countries, and strongly advocated the strengthening of the Conference so that it could examine linkages between trade and investment, finance, infrastructure development and technology transfers. CARICOM also welcomed the commitment by the international community at the World Summit on Sustainable Development to address the declining terms of trade and the instability of commodity prices, and called for a high-level international meeting in 2003, under the auspices of the

United Nations, to address those issues and come up with appropriate solutions.

38. Regarding the external debt crisis and development, CARICOM was concerned at increasing tensions between debtor countries and the international financial institutions over the disbursement of funds under the HIPC Initiative. In keeping with the Monterrey Consensus, every effort should be made by the international community to ensure full implementation of the Initiative and to enable developing countries to recover from the debt crisis. The United Nations Commission on International Trade Law (UNCITRAL) had expertise which could be drawn upon.

39. **Mr. Isakov** (Russian Federation) said that strengthening the stability of the international financial system and crisis prevention were essential to sustainable development. The United Nations strategy in that regard, based on the search for joint solutions, should be supported. The success of that endeavour would depend to a large extent on the scope and effectiveness of cooperation between the United Nations system and the Bretton Woods institutions. It was also essential to continue to develop mechanisms which would ensure the participation of the private sector in the implementation of the decisions taken at Monterrey and Johannesburg. The strengthening of national banking and financial sectors and of regulatory and monitoring mechanisms for their activities also figured among the priority areas for the international financial system.

40. The debt problem, particularly the debt burden of the poorest countries, was still a burning issue. As a member of the Group of Eight, the Russian Federation supported the implementation of the IMF and World Bank initiative. Furthermore, it was well known that the Russian Federation had a heavy external debt, but was currently taking steps to accelerate its debt servicing. While it was contributing in that way to finding a solution to the debt problem at the global level, it was clear that such efforts nevertheless impeded the settlement of pressing domestic socio-economic problems and did not facilitate the implementation of the reforms required in order to establish a market economy. The Russian Federation was hopeful that its partners would take those factors into account within the context of international economic and financial cooperation.

41. It was important to continue the dialogue initiated in Johannesburg on the issue of debt-for-nature and debt-for-sustainable-development swaps. The Monterrey Consensus also envisaged similar innovative mechanisms for solving the problem of the indebtedness of middle-income countries.

42. It was also crucial to establish an equitable international trading system. In that context, the Russian Federation believed that WTO should be truly universal, and that its rules should be applied without discrimination, including with regard to the admission of new member States.

43. The Russian Federation attached the greatest importance to the dismantling of barriers and to the elimination of discrimination in trade. It could not accept the continued use, for protective purposes, of anti-dumping mechanisms and other types of artificial obstacles which penalized exporters in developing countries and countries in transition. With the prospect of its imminent membership of WTO, it was reducing import taxes and establishing preferential arrangements with many developing countries.

44. His delegation stressed the important role of UNCTAD, both as a coordinating body of the United Nations system in the area of trade and development and as a forum for the consideration of issues related to the liberalization of trade in goods and services, revitalization of financial flows and technology transfer. It also attached great importance to the maintenance and strengthening of UNCTAD assistance to developing countries and countries in transition to increase the effectiveness of their external trade, improve basic infrastructure and facilitate the integration of these countries into the multilateral trading system.

45. In conclusion, his delegation wished to express its support for the proposal made by Kazakhstan to host an international ministerial conference on transit transport cooperation.

46. **Mr. Jimenez** (Ecuador) said that he fully supported the statement made by the representative of Venezuela on behalf of the Group of 77 and China. Over the previous 20 years many developing countries, including Ecuador, had fallen behind schedule in repaying their external debt and several times had to renegotiate it. In 1999 the total balance of Ecuador's external debt had been 118 per cent of GDP and 365.8 per cent of exports, while debt servicing had amounted to 20.2 per cent of the State budget. In the past five

years, the net cumulative transfer of resources abroad had exceeded $5 million. Debt relief was not sufficient to free up economic resources which were essential to national development. Debt remained one of the main economic policy issues for developing and middle-income countries.

47. It was thus increasingly necessary to adopt measures to arrive at a lasting solution to that problem, while keeping in mind that external savings were and would continue to be a basic element in economic and social development for developing countries, that the nature and structure of external debt had developed considerably since the 1970s and 1980s and that such debt did not have a uniform effect throughout the international financial system.

48. A revision of renegotiation terms and IMF conditionality concerning the periodic review to which debtor countries are subjected should therefore be considered. Conditionality should not focus solely on the processes of privatization, liberalization and deregulation, but should also take into account the specific social, economic and political realities of each country, as well as of the externalities which were having an increasingly severe impact.

49. The current mechanisms for partial debt relief which showed promising results, as well as operations to swap debt for social projects, should be expanded. Moreover, it was essential to strengthen regional and subregional multilateral development banks, particularly the Inter-American Development Bank and the Andean Development Corporation, which played an important role in the granting of loans having an anti-cyclical effect and helped mitigate the effects of crisis periods and external shocks.

50. **Mr. Chave** (Switzerland) suggested that the Committee could aim for an integrated treatment of the various interrelated themes under agenda item 84, such as in the context of an integrated resolution on macroeconomic policy questions.

51. Reforms to improve economic governance in developing countries as well as those to strengthen international governance should converge towards the goal of sustainable development. To that end, it was necessary to enhance coherence between the financial sector and trade, monetary and debt-management policies. A sound macroeconomic framework should also contribute to environmental protection and social policies to achieve sustainable development.

52. With regard to international trade and development, in order to benefit fully from trade potential, developing countries must address several challenges: promoting human resources, strengthening institutional capacities and integrating trade policies with poverty reduction and sustainable development policies. Successful integration in the global trading system would also increasingly depend on regional and subregional trade, and certain supply-side constraints must be overcome. Substantial efforts should also be made to dismantle the barriers constricting the access of developing countries to industrialized markets.

53. With regard to the external debt crisis and development, there must be continued efforts to make countries less vulnerable to changes in their environment and to strengthen the framework for resolving any financial crises that did occur. His delegation considered that incentives to ensure the timely and orderly restructuring of unsustainable sovereign debt would fill a lacuna in the current architecture of the international financial system. A mechanism for restructuring sovereign debt would only be effective if there were credible and binding limits on official lending in the event of a crisis. Meanwhile, an increase in official credit would be necessary, whereas an increase in IMF quotas was currently unwarranted, since IMF resources appeared to be adequate for its mandate and did not require supplementing with new sovereign debt restructuring allocations.

54. With regard to the international financial system, it was important to stress that the mobilization of domestic resources for development could be effectively complemented with foreign direct investments from industrialized middle-income countries to low-income and least developed countries. Further efforts were also needed to improve crisis prevention. It was accordingly necessary to address the structural and systemic causes of the increased demand for IMF credits, as well as the heightened volatility of international capital flows. It would also be useful to improve the transparency of IMF surveillance, and a larger number of countries should give their consent to publication of surveillance reports for that purpose.

55. As far as commodities were concerned, many developing countries continued to depend on a restricted number of exported commodities, which contributed to their vulnerability to external shocks. Moreover, a lack of industrial capacity resulted in a low level of added value to those commodities. Official

development assistance should thus also support innovative macroeconomic facilities capable of providing additional financial resources to countries suffering from external shocks. To that end, Switzerland was seeking to make its macrofinancial assistance more effective and sustainable.

56. Partnerships between the public and private sectors could increasingly play a role in leveraging domestic and foreign private investment. It was undisputed that the volume of official development should be increased and its effectiveness improved towards sustainable development. It was also vital to closely monitor the progress and coherence of reforms and to establish regulatory frameworks that took account of countries' specific circumstances, needs and level of development, such as by granting them special treatment to help them to achieve internationally agreed macroeconomic goals.

57. **Mr. Kittikhoun** (Lao People's Democratic Republic), having associated himself with the statement made by the representative of Venezuela on behalf of the Group of 77 and China, said that the geographical handicap of landlocked developing countries, of which 16 were least developed countries, placed them in a very difficult situation. They were dependent on other countries' transport policies, companies and facilities and spent twice as much on transport and insurance services as other developing countries and three times as much as developed countries. Cooperative arrangements between landlocked developing countries and neighbouring transit countries would allow those problems to be addressed.

58. The group of landlocked developing countries attached great importance to the International Ministerial Meeting on Transit Transport Cooperation to be held in 2003, which would be the first high-level United Nations conference to directly address their specific needs and problems in order to identify concrete measures to improve transit transport systems. Its outcomes would have a long-term impact on their sustainable development.

59. The involvement of all Governments and all other relevant actors, such as the private sector and regional economic cooperation organizations, was critical to the success of the meeting. His delegation welcomed the steps undertaken by the High Representative for Least Developed Countries, Landlocked Developing Countries and Small Island Developing States which paved the way for subregional and regional preparatory meetings. It also called upon the UNCTAD secretariat to contribute to the preparatory process in its areas of competence, especially operational and technical aspects of transit transport. The World Bank, regional development banks and regional commissions also had a significant contribution to make.

60. Lastly, he wished to reiterate the importance of additional resources to finance the meeting and to facilitate the participation of representatives of landlocked developing countries and their transit developing country partners.

61. **Mr. Kogda** (Burkina Faso) said his delegation supported the statements made by the Permanent Representative of the Lao People's Democratic Republic on behalf of the Group of Landlocked Developing Countries, and by the representative of Venezuela on behalf of the Group of 77 and China.

62. Burkina Faso, which was one of the least developed landlocked countries, attached particular importance to consideration of item 84 (f) of the agenda. One effective way of boosting development was to promote international trade as a means of achieving economic growth. However, efforts made by landlocked developing countries to increase the competitiveness of their exports and reduce the cost of acquiring imported capital goods were hampered by high costs and lengthy transport-in-transit delays resulting from their landlocked status. That situation was mainly due to inappropriate, lengthy and costly customs and administrative procedures, non-standardized road-transport formalities, excessive, costly customs and police checks and poor infrastructure.

63. With a view to finding a consensual solution to such problems, Burkina Faso was actively involved in the efforts of Central and West African States to improve their transport-in-transit systems. His country was also involved in many initiatives and projects being implemented by subregional integration and cooperation bodies such as the West African Economic and Monetary Union (WAEMU), the Economic Community of West African States (ECOWAS) and the Maritime Organization for West and Central Africa (MOWCA). Improved financial capacity, institutions and technical assistance were all essential if such cooperation initiatives were to succeed.

64. His country wished to thank the Secretary-General for rapidly implementing General Assembly resolution 56/227 by appointing the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States. He urged the High Representative to continue his advocacy campaign and endeavours to mobilize resources from international institutions and donor countries to enable landlocked countries to attend the International Ministerial Conference in Kazakhstan in 2003.

65. Lastly, his delegation called on all development partners to support the Secretary-General's efforts to make the Ministerial Conference a successful example of the promotion of international cooperation.

66. **Mr. Shikhaliyev** (Azerbaijan) endorsed the statement made by the Permanent Representative of the Lao People's Democratic Republic on behalf of the Group of Landlocked Developing Countries.

67. He informed the meeting that his country's Ministry of Transport had established an inter-ministerial ad hoc committee for the preparation of the International Ministerial Conference on Transit Transport Cooperation to be held in August 2003. Measures undertaken by his Government to standardize the transport environment were in accordance with decisions adopted at the 2nd Annual Conference of the TRACECA (Transport Corridor: Europe-Caucasus-Asia) Intergovernmental Commission, during which several important documents on the simplification of customs procedures, tax reduction and a unified cargo documentation system had also been adopted.

68. Azerbaijan's accession to the Kyoto Convention of the World Customs Organization was under consideration. Simplification of customs procedures and the assistance of UNCTAD were therefore vital, and his country encouraged UNCTAD's experts to make that topic the subject of a feasibility study in Azerbaijan.

69. Regional and subregional meetings should contribute to the success of the Ministerial Conference, and the efforts of both landlocked countries and their transit neighbours were required to secure the effectiveness of the transport transit system. Given the scale of the tasks in hand, the Conference should be a system-wide undertaking within the United Nations, and all stakeholders including the private sector should be fully involved. The Conference should not only adopt a comprehensive programme of action for developing the transit transport systems of landlocked and transit developing countries, but should also bring about a substantial increase in donor assistance for the purposes of successfully implementing the Conference's decisions. Furthermore, the Office of the High Representative and UNCTAD should play a leading role in devising a development assistance action plan for landlocked countries affected by conflict.

70. As a party to the Basic Multilateral Agreement on International Transport for the Development Transport Corridor: Europe-Caucasus-Asia and the host country of its International Secretariat, Azerbaijan was contributing to the development of transit transport routes between the two continents. In addition, his country intended to join the North-South transport corridor and the Special Programme for the Economies of Central Asia.

71. Unfortunately, Azerbaijan's cooperation efforts were hampered by the continuing occupation of 20 per cent of its territory and the blockade of the Nakhichevan region by a neighbouring State. That situation substantially undermined the country's development potential, and also represented a major threat to security and stability in the South Caucasus. A fair political settlement of the conflict and speedy liberation of the occupied territories in accordance with the relevant Security Council resolutions would facilitate the development efforts of the countries in the region.

72. It was the opinion of his delegation that eliminating the non-physical barriers impeding the development of external trade of landlocked developing countries and improving international market access for their goods and services could contribute to alleviating poverty in such countries. Those issues should be discussed during the new round of trade negotiations at the Fifth Ministerial Meeting of WTO in Cancun (Mexico) in 2003.

73. The transfer of modern information and communication technologies and capacity-building to bridge the digital divide in landlocked countries could also alleviate many of their problems. The Office of the High Representative should therefore be actively involved in the preparatory process for the World Summit on the Information Society to be held in Geneva from 10 to 12 December 2003.

74. **Mr. Hassan** (Pakistan) referred to the statistics contained in the report of the Secretary-General (A/57/253) and said that the external debt of developing countries had reached astronomical proportions. Over the past few years, a number of initiatives had been undertaken in order to give some relief to the debt-ridden countries. The Heavily Indebted Poor Countries (HIPC) Debt Initiative was the most comprehensive such measure, but it had two major limitations: it covered only a fraction of the unsustainable debt of developing countries, and it imposed a long list of conditionalities on potential beneficiaries. It was evident that as long as debt relief was tied to structural adjustment, the goal of releasing resources for development would remain out of reach. He urged creditor countries and relevant organizations to consider the useful proposals contained in the report of the Secretary-General, especially the proposals to apply less restrictive eligibility criteria and to explore new funding sources.

75. Some middle-income developing countries were also confronted with serious external debt problems. Their debt service payments accounted for a very high proportion of their revenue and had serious social consequences. The situation of those countries needed immediate attention; although the Paris and London Clubs were usually at the centre of debt restructuring, there was a need for more transparent mechanisms and new, complementary approaches. Better debt management and more equitable cost-sharing among all relevant creditors were also essential.

76. Debt rescheduling needed a more humane outlook; at present, the international financial institutions tended to persuade developing countries to assume further non-concessional debt obligations in order to finance social investment and poverty reduction programmes without taking into account the larger implications for indebted countries.

77. His Government firmly believed that the United Nations should play a key role in evolving and implementing a comprehensive debt-relief programme that would provide a global and durable solution to the debt problem of all developing countries. In that context, the following solutions might be useful: (i) the Secretary-General's recommendations to the General Assembly at its fifty-fifth session on the issue of external debt, including the proposal for the establishment of an independent panel to seek a durable solution; (ii) the Secretary-General's proposal at a round table during the Millennium Summit that the United Nations could mediate between creditors and debtors; (iii) the President of Pakistan's proposal at the same round table that money spent on debt servicing could be diverted to social development budgets; and (iv) the provisions contained in paragraph 51 of the Monterrey Consensus. Finally, debt management needed to be coupled with a real increase in market access for the exports of developing countries; only by increasing their incomes and, in particular, their foreign exchange earnings could they repay their debts.

78. He welcomed the holding of the International Ministerial Meeting on Transit Transport Cooperation, and pledged his Government's full cooperation in its success. As a transit country, Pakistan recognized its responsibility towards its landlocked neighbours and was ready to provide them with necessary assistance. It was providing transit facilities to Afghanistan and had concluded two regional agreements with Central Asian States. It had also signed a quadrilateral agreement with China, Kyrgyzstan and Kazakhstan, which would give the landlocked Central Asian States another outlet. It was developing a new seaport at Gawader, which would be used primarily to provide transit facilities to its landlocked neighbours. At the same time, it expected the donor community to provide generous support for the landlocked developing countries' efforts to improve their transport infrastructures and storage facilities.

79. **Ms. Enkhtsetseg** (Mongolia) said that her delegation associated itself with the statements made by the representative of Venezuela on behalf of the Group of 77 and China and by the Lao People's Democratic Republic on behalf of the landlocked developing countries. Because the economies of landlocked developing countries were generally based on commodities exports, they were dependent on reliable, effective transit and transport services. As stated in the report of the Secretary-General (A/57/340), those countries on average paid almost three times more than developed countries for transport services. Their exports were also negatively affected by foreign market tariffs and transport costs, which further reduced their revenue from trade and their competitiveness, and their distance from global markets and weak transport infrastructures made them less attractive to foreign direct investment. Like other delegations, her own therefore attached great importance to the holding of the International

Ministerial Meeting on Transit Transport Cooperation, to be held in Kazakhstan in 2003. She hoped that the Meeting would culminate in the adoption of a global plan of action with specific commitments and that the draft resolution submitted in that connection by the landlocked developing countries would receive wide support from the Committee.

80. Her delegation joined the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States in urging Governments to make voluntary contributions to facilitate preparations for the Ministerial Meeting, and assured the High Representative of her delegation's support. She also thanked him for his efforts to ensure the active involvement of stakeholders in preparations for the Meeting, and UNCTAD for its assistance to landlocked developing countries in general and, more specifically, in the development of a trilateral framework agreement on transit transport between the Russian Federation, Mongolia and China.

81. **Mr. Mizukami** (Japan), said at the outset that he supported the suggestion that the Committee should consolidate interrelated agenda items and/or draft resolutions so as to better follow up on the implementation of the Monterrey Consensus. He then addressed agenda item 84 (f).

82. Japan attached great importance to the growth and development of developing countries and to measures aimed at addressing the problems of developing countries in general, and landlocked States in particular. The decision to convene an International Ministerial Meeting on Transit Transport Cooperation demonstrated the international community's firm commitment to tackling those issues.

83. It was clear that lack of territorial access to the sea, remoteness and isolation from world markets and high transit costs imposed serious constraints on the development of landlocked developing countries. As pointed out at the expert-level meeting on the development of transit systems, which Japan had chaired in 2001, the development of infrastructure and measures to facilitate trade and transit were two key elements in easing the difficulties arising from the geographical constraints of those countries. With that in mind, Japan provided assistance for building roads and bridges to improve access to world markets and reduce its costs. Japan's cooperation in various projects aimed at enhancing communication routes between Laos and Thailand, Viet Nam and Myanmar, Zambia and Zimbabwe, and Nepal and Kazakhstan illustrated its efforts in that regard.

84. That said, it should not be forgotten that the problems of landlocked developing countries were not only problems of infrastructure. There were other obstacles to transit, such as the lack of harmonization of customs and border-crossing procedures. Japan believed that transit facilitation arrangements were of critical importance, and welcomed initiatives taken in that regard.

85. In conclusion, the Government of Japan wished to assure the Committee that it would spare no effort in contributing to the success of the International Ministerial Meeting on Transit Transport Cooperation.

86. **Mr. Abelian** (Armenia) focused his statement on the preparations for the International Ministerial Meeting on Transit Transport Cooperation. Recalling that the special needs and problems of the landlocked developing countries continued to call for special attention by the United Nations, he said that his delegation welcomed the establishment of the Office of the High Representative for the Least Developed Countries, Developing Landlocked Countries and Small Island Developing States and the initiative to convene the above-mentioned Ministerial Meeting.

87. Landlocked developing countries and countries with economies in transition were particularly vulnerable. Their geographical situation handicapped them through lack of access to the sea, isolation from world markets and high transit costs. Those factors posed obstacles to the export of their products and their importation of raw materials, and hence to their development.

88. Geography was not the only impediment for Armenia. It also faced a political obstacle, namely the blockade imposed by two of its four neighbouring countries, which had for a long time deprived Armenia from its main access to European and global markets. The problems of developing countries and those with transition economies were heavily exacerbated by the imposition of blockades and embargoes. Condemnation of unilateral economic coercive practices would also have a positive impact on the situation in the region.

89. As a landlocked country, Armenia valued the role of transit transport in trade and economic development and the promotion of regional cooperation. In that regard, the constructive dialogue between landlocked

developing countries and their transit neighbours should be a priority for the establishment of an efficient transit transport system that was of benefit to all.

90. Located as it was at the crossroads of Europe and Asia, Armenia was in a position to provide transit corridors for oil and gas pipeline routes and road transportation that could be facilitated through the current renovation projects for the major highways. Armenia participated in two European Union transregional economic programmes, TRACECA and INOGATE. With a transport corridor linking Europe, the Caucasus and Asia, Armenia would become an important link in the transit system, and the implementation of the Great Silk Route programme would provide access to the existing trans-European and trans-Asian transport networks. Armenia's advantageous geographic location and its infrastructure and capacities could also enable it to play an important role in the construction of an international gas transport system on its territory.

91. Armenia was convinced that those initiatives could contribute to creating a climate of stability and confidence in the region, but that necessitated all those willing to participate acting in a spirit of cooperation.

92. **Mr. Naidu** (Fiji) said that in the current unfavourable downward trend in commodity prices since 1997, one might well wonder how the many developing countries dependent on the export of a few commodities for foreign exchange and sources of domestic employment would be able to contribute to the attainment of the goals stated in the Millennium Declaration and other internationally agreed development goals, in particular the eradication of poverty by half by 2015. As the Chairman of the Group of 77 and China had stated during the general debate, the challenge ahead was monumental. The call for the renewal of political will and the spirit of international alliance for development was thus a response to the urgent need to address the increasing imbalances.

93. Given the small size of most developing countries in the categories of least developed, landlocked and small island developing States, their remote geographical location, the erosion, largely because of globalization and trade liberalization, of their economic base, commodity trade was the only viable option that allowed them to earn foreign exchange, make investments, raise standards of living, ensure full employment, enhance food security and preserve the environment.

94. Commodity trade remained Fiji's dominant export earner. Sugar, the principal commodity, constituted, together with a few other agricultural, mineral and fishery products, the commodity export basket. Those sectors had constituted Fiji's largest direct and indirect source of employment since it became an independent country.

95. After citing statistics illustrating the importance of sugar as an export product, to economic growth and the sustainable development of his country, he said that his delegation fully supported the measures suggested by the Secretary-General in his report (A/57/38) to address the problem of developing countries' reduced export earnings. The domestic supply capacity in commodity-dependent countries should be improved, and constraints removed, to support diversification policies. Fiji was continuing to explore further possibilities for diversification; however, because of soil and climate conditions and its vulnerability to natural disasters, no other crops had been identified which could replace cane sugar production in the short or medium term. The most important tasks were to re-examine the concept of compensatory financing of export shortfalls, improve market access through the removal of trade and non-trade barriers such as straight-jacket derogation rules and tariff peaks, relax rigid trade rules which denied developing countries access to certain markets for products, and grant more effective special and differential treatment for developing countries under the Agreement on Agriculture by establishing a "development box", as mentioned in paragraph 17 of the report of the Secretary-General (A/57/381). Fiji believed that its sugar industry enabled it to fulfil WTO goals on multilateral trade and went a long way towards satisfying the key objectives stated in the preamble to the Agreement on Agriculture.

96. Fiji hoped that as a result of the awareness within WTO of the difficulties that vulnerable developing countries faced at the current pace of trade liberalization, positive action would ensue in the context of the reform process of the Agreement on Agriculture. By the same token, Fiji welcomed the launching of trade negotiations between the European Union and the African, Caribbean and Pacific countries to promote the latter's development and their integration into the world economy.

The meeting rose at 1.05 p.m.